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April 23, 1997

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, DC 20554

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APR 23 1997

Federal Communications Commission  
Office of Secretary

Re: Ex Parte in CC Dockets 96-45 and 96-262

Dear Mr. Caton:

This is to inform you that on April 23, 1997, Dave Markey and the undersigned, of BellSouth; and John Konnarn, a consultant for BellSouth, met with Commissioner Quello and Jim Coltharp of the Commission regarding the above-referenced proceedings.

The purpose of the meeting was to discuss issues relating to universal service and access reform. The attached charts and documents were discussed during this meeting.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceedings. Please call me if you have any questions.

Sincerely,



Whit Jordan

Attachment

cc: Commissioner Quello  
Jim Coltharp

No. of Copies rec'd 043  
List ABCDE

## **Access Reform and Universal Service**

***The Commission should not make any precipitous reductions in access charges until a permanent Universal Service Fund is established***

- Reinitialization would breach price cap deal, take LEC industry back to rate of return regulation, and give the IXC's a windfall at expense of local telephone customers.
- Even with no prescriptive changes in access rates, IXC's access cost will decline by more than \$1 billion in 1998.
- Increased competition in local phone markets and loss of market share will drive LEC productivity down, not up.
- Implementing number portability, dialing parity and other "checklist" requirements will cost BellSouth nearly \$500 million this year alone.

***The Commission needs to begin restructuring access charges but in an orderly way that will not put pressure on local rates***

- During early phases of access reform transition, LEC's should be given the option of keeping pre-subscribed line (PSL) charges for business and residential customers at identical levels.
- The July 1, 1998 deadline for removing access charges from unbundled network elements should be extended until a permanent Universal Service fund is established.

***Discounts for schools, libraries, and hospitals should apply only to telecommunications services and should be paid for on a pay as you go basis***

- Inside wiring and Internet services are not telecommunications services and should be paid for through voluntary programs like Net Day.
- Any payments made by carriers to fund education and health care discounts that are not used for that purpose during a given year should not be allowed to accumulate, but instead should offset next year's obligations.

## PRODUCTIVITY FACTORS IN STATE JURISDICTIONS

X-Factor	Number	Rank	State(s)
1	1	1	MI
1	1	2	ND <sup>1</sup>
1.3	1	3	VA <sup>2</sup>
2	3	6	GA <sup>3</sup> , NJ, NC
2.1	1	7	SC
2.3	1	8	KS
2.5	1	9	LA
2.5	1	10	CA <sup>4</sup>
3	1	11	MD <sup>5</sup>
2.93	1	12	PA
3	5	17	AL, DE, DC, OH, WI
4	2	19	KY <sup>6</sup> , RI
4.1	1	20	MA
4.3	1	21	IL
4.5	1	22	ME
5	1	23	CT

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**AVERAGE    2.8**

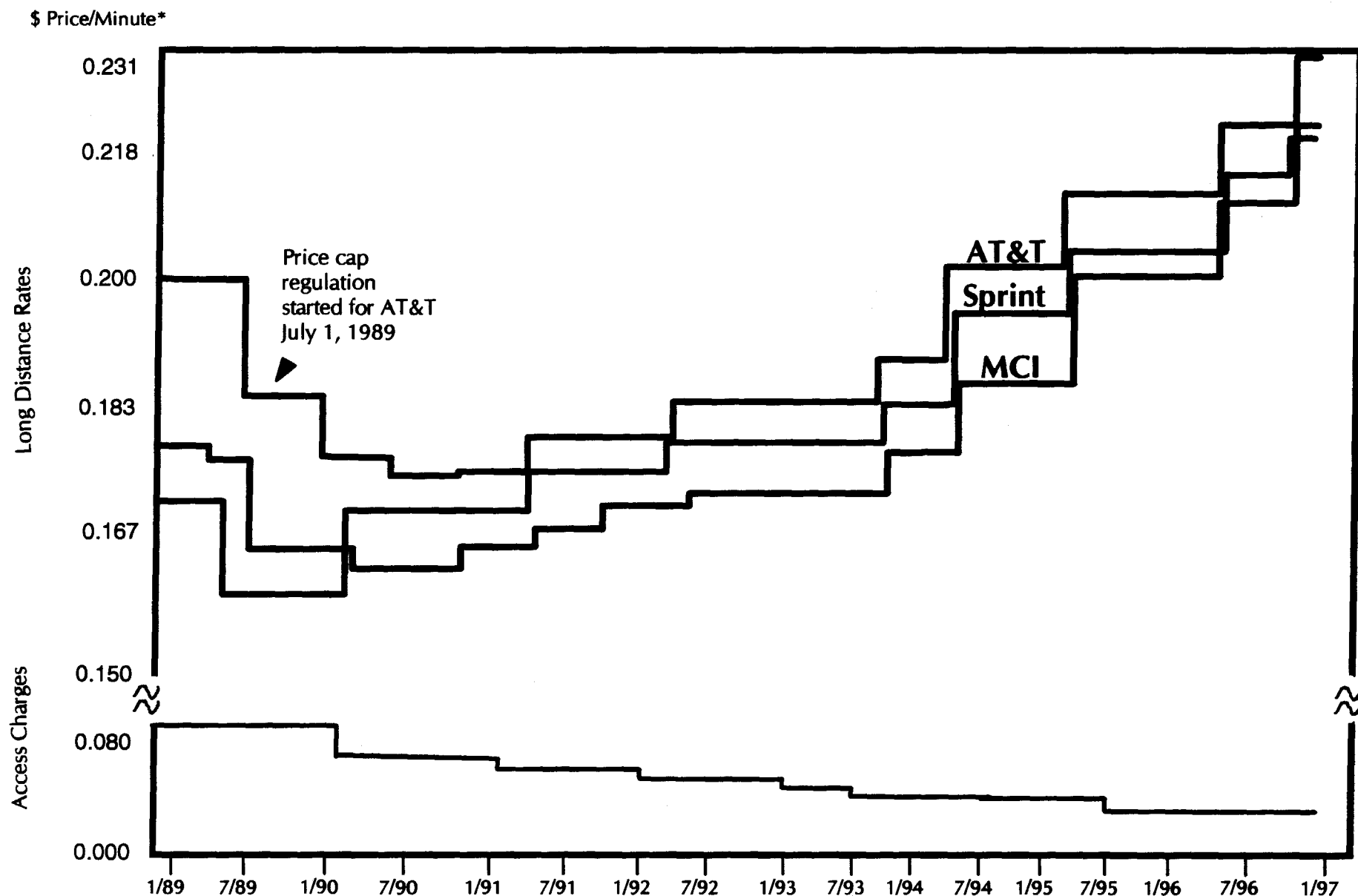
**MEDIAN     2.9**

### NOTES:

1. Lower of 2.75% or 41.6667% of GDP-PI. (Estimate approx. 1.1%).
2. One-half of GDP-PI. (Estimate 1.3%).
3. 2%, or one-half of GDP-PI if GDP-PI exceeds 3%. (Estimate 2.0%).
4. Inflation minus productivity factor of 5% suspended from 1995 through 1998. Essentially, X minus GDP-PI during this time period, because GDP-PI minus X minus 0%. (Estimate 2.6%).
5. 3-year rolling average of CPI. (Estimate 2.8%).
6. 4% for GDP-PI up to 8%, then one-half of GDP-PI. (Estimate 4%).

# Why Bell Company Entry Into The Long Distance Market Will Benefit Consumers

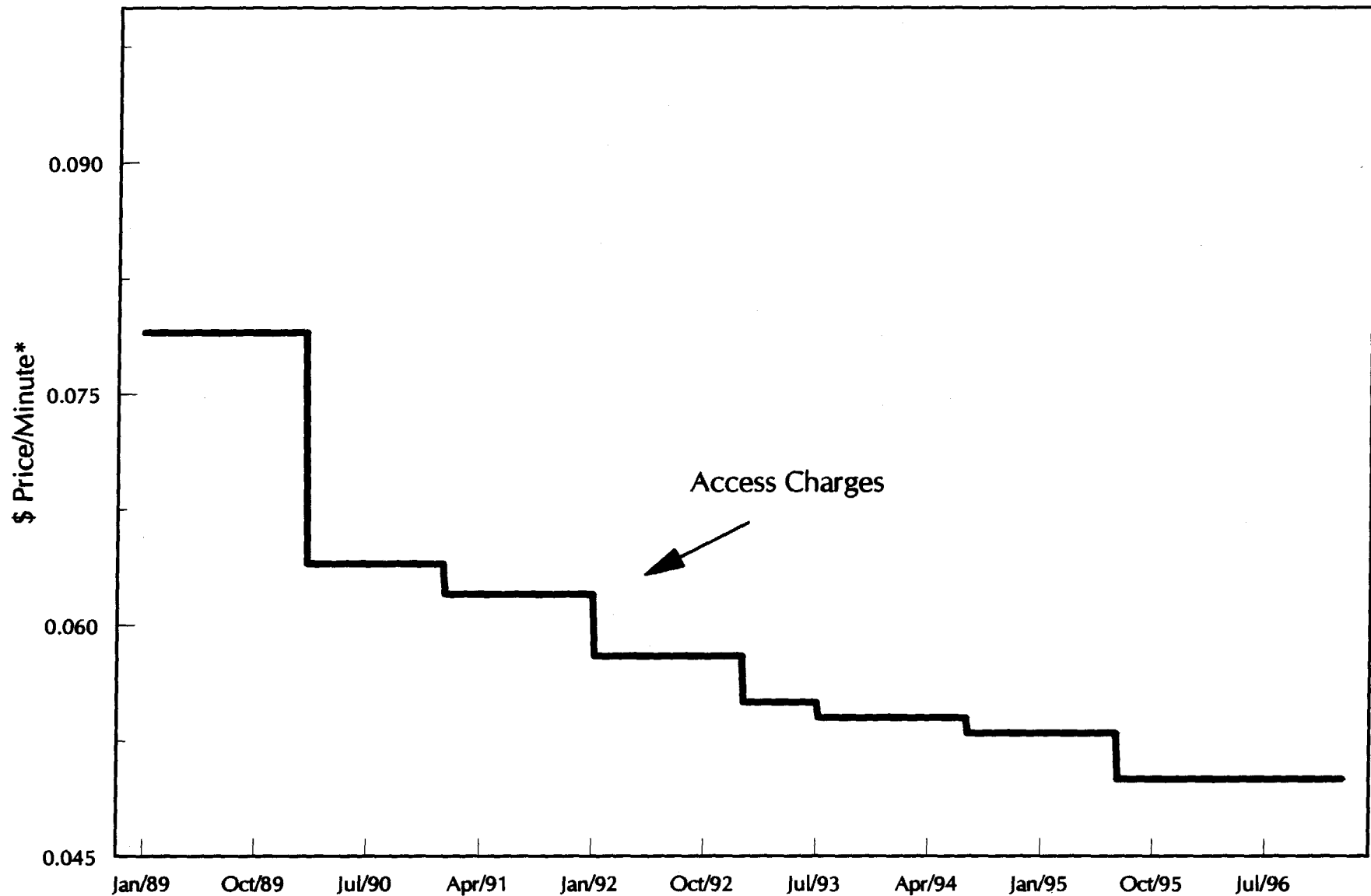
## Trends in Long Distance Rates and Exchange Access Charges



\*Long distance rates based on the average price per minute for basic service.

Source: WEFA Group and FCC Tariff Filings

***Since Price Caps Were Implemented in 1991,  
Access Charges Have Declined Nearly \$9 Billion***



Source: WEFA Group and FCC Tariff Filings

**TABLE 33**  
**TOTAL TOLL SERVICE REVENUES**  
(DOLLAR AMOUNTS SHOWN IN MILLIONS)

COMPANY	1995	1994	1993	1992	1991	1990
AT&T COMPANIES: 1/ AT&T COMMUNICATIONS, INC.	\$38,069	\$37,166	\$35,731	\$35,495	\$34,384	\$33,880
ALASCOM, INC.	325	329	320	333	338	259
MCI TELECOMMUNICATIONS CORP. 2/ TELECOM*USA	12,924	11,715	10,947	9,719	8,266	7,392
SPRINT COMMUNICATIONS CO. 3/ GTE SPRINT US TELECOM	7,277	6,805	6,139	5,658	5,378	5,041
WORLDCOM, INC. 4/ ADVANCED TELECOMMUNICATIONS CORP.	3,640	2,221	1,145	801	263	154
METROMEDIA COMMUNICATIONS CORP. 5/ ITT COMMUNICATION SERVICES, INC.			297	369	369	381
COMSYSTEMS NETWORK SERVICES WILTEL, INC.		917	116 664	135 494	131 405	130 376
FRONTIER COMPANIES: 6/ ALLNET COMM. SVCS. dba FRONTIER COMM. SVCS. 7/ LEXITEL	827	568	436	376	347	326
FRONTIER COMMUNICATIONS INT'L, INC. 8/ FRONTIER COMM. OF THE NORTH CENTRAL REGION FRONTIER COMMUNICATIONS OF THE WEST, INC.	309 133 127	306 123 144	213	168	155	142
CABLE & WIRELESS COMMUNICATIONS, INC. LCI INTERNATIONAL TELECOM CORP.	700 671	654 453	557 317	495 243	406 208	359 215
EXCEL TELECOMMUNICATIONS, INC. 9/ 10/ TELCO COMMUNICATIONS GROUP, INC.	363 215	156				
MIDCOM COMMUNICATIONS, INC. TEL-SAVE, INC. 9/ U.S. LONG DISTANCE, INC.	204 180 155	109 136	100			
TELEGROUP, INC. 9/ VARTEC TELECOM, INC.	129 125	107				
GE CAPITAL COMMUNICATIONS SERVICES CORP. 9/ GENERAL COMMUNICATION, INC. 11/ MFS INTELENET, INC.	120 120 118	106	92			
BUSINESS TELECOM, INC. COMMUNICATION TELESYSTEMS INT'L. 9/ ONCOR COMMUNICATIONS, INC. 9/ THE FURST GROUP, INC. 9/ AMERICAN NETWORK EXCHANGE, INC.	115 115 111 109	172	140	159	181	230
TELESPHERE NETWORK, INC. 12/ (NATIONAL TELEPHONE SERVICES, INC.)	101	109			308	293
OTHERS 13/	5,168	5,055	4,319	3,923	2,948	2,582
TOTAL LONG DISTANCE CARRIERS	72,450	67,351	61,533	58,368	54,443	52,102
BELL OPERATING COMPANIES OTHER LOCAL TELEPHONE COMPANIES 13/	8,189 3,143	9,527 3,848	9,849 3,908	9,718 3,897	10,066 4,049	10,578 4,112
TOTAL LOCAL EXCHANGE COMPANIES	11,332	13,375	13,757	13,615	14,115	14,690
TOTAL TOLL SERVICE REVENUES	\$83,782	\$80,726	\$75,290	\$71,983	\$68,558	\$66,792

**TABLE 30**  
**PRESUBSCRIBED TELEPHONE LINES BY CARRIER**

	JUNE 96	DEC 95	JUNE 95	DEC 94	JUNE 94	DEC 93
<b>TOTAL NUMBER OF CARRIERS WITH PRESUBSCRIBED LINES</b>	<b>582</b>	<b>583</b>	<b>549</b>	<b>511</b>	<b>454</b>	<b>436</b>
<b>TOTAL NUMBER OF QUALIFYING CARRIERS</b>	<b>43</b>	<b>44</b>	<b>36</b>	<b>35</b>	<b>29</b>	<b>27</b>
<b>TOTAL NUMBER OF NON-QUALIFYING CARRIERS</b>	<b>539</b>	<b>539</b>	<b>513</b>	<b>476</b>	<b>425</b>	<b>409</b>
<b>QUALIFYING COMPANIES 1/</b>						
AT&T COMPANIES:						
AT&T COMMUNICATIONS	99,599,355	101,138,792	102,502,271	103,957,425	102,421,583	101,711,178
AT&T ALASCOM, INC. 2/	222,144	218,135	232,525	226,974	222,142	216,984
MCI TELECOMMUNICATIONS CORP.	24,338,086	23,911,437	23,459,534	22,040,062	22,286,410	21,818,212
SOUTHERNET						
TELECOM*USA						
TELECONNECT						
SPRINT	10,905,940	9,784,388	9,589,788	9,467,999	9,244,159	9,212,993
LA CONEXION FAMILIAR, INC.						
LONG DISTANCE/USA						
WORLDCOM 3/	4,110,753	4,088,816	3,683,433	1,954,198	1,831,304	1,752,616
ADVANCED TELECOM CORP. (ATC)						
AMERICAN NETWORK						
CLAYDESTA DIGITAL						
COM SYSTEMS DBA SUN DIAL						
ITT						
METROMEDIA						
MICROTEL						
MID-AMERICAN						
NATIONAL TELECOMMUNICATIONS						
NTS (NATIONAL TELEPHONE SYSTEMS)						
TELUS/TELTEC SAVING						
TOUCH-1 LONG DISTANCE				320,571	161,143	98,044
WILTEL 4/				980,004	677,430	432,844
EXCEL TELECOMMUNICATIONS, INC.	3,313,287	1,486,953	223,235	75,543		
FRONTIER COMPANIES: 5/	2,097,182	2,348,301				
FRONTIER dba ALLNET COMM. SVC., INC. 6/	(1,317,313)	(1,548,658)	1,650,296	1,334,360	1,078,577	891,577
FRONTIER COMMUNICATIONS INT'L 7/	(441,493)	(436,809)	365,841	283,372	278,542	279,304
FRONTIER COMM-NORTH CENTRAL REGION 8/	(150,861)	(161,242)	154,038	132,948		
FRONTIER OF THE GREAT LAKES 9/	(97,277)	(95,633)	88,043	84,141	80,573	77,899
FRONTIER OF THE WEST 10/	(90,438)	(106,159)	133,300	137,489	144,240	96,539
LCI COMPANIES:						
LCI INTERNATIONAL/LITEL 11/	1,965,532	1,227,925	840,968	638,464	614,937	405,644
LCI CORPORATE TELEMAGEMENT GROUP		85,868				
LCI/US SIGNAL CORP. 12/		128,305	121,445	114,026		109,071
SNET AMERICA LONG DISTANCE	597,251	304,391	223,844	105,855		
CABLE & WIRELESS COMMUNICATIONS	584,802	543,617	524,014	524,153		529,398
UNITED TELEPHONE LONG DISTANCE	471,687	517,379	545,189	572,010	512,991	548,131
TELEFONICA LARGA DISTANCIA	458,783	452,017	444,205	441,467	448,390	442,922
U.S. LONG DISTANCE/ZERO PLUS	276,153	212,611	149,308	116,602		
MFS INTELENET, INC.	177,648	106,489				
BUSINESS TELECOM, INC. (BTI)	171,239	146,118	132,196	121,822	100,808	79,398
LONG DISTANCE SAVERS	170,359	158,001	151,473	141,697	128,716	112,905
GTE	169,609					
TOUCH 1 COMMUNICATIONS	149,392	134,779	108,550			
CITIZENS TELECOM	141,636					
COASTAL TELEPHONE COMPANY	133,108	97,917				
GENERAL COMMUNICATIONS, INC.	124,969	119,883	102,813	102,528	102,202	99,911
TELAMERICA, INC.	122,093	115,403	109,483	105,053	100,282	94,114
CINCINNATI BELL LONG DISTANCE INC.	120,710	115,398	102,634	102,163	92,302	93,659
ATX TELECOMMUNICATIONS SERVICES	119,843	118,637	113,466	107,979	110,023	104,971
TWT-HEARTLINE	118,465	117,739			72,803	
INTER CONTINENTAL TELEPHONE	117,780	134,572	120,932	99,033	84,534	
VARTEC TELECOM, INC.	116,898	120,832	136,568	122,991	130,738	117,692
L.D. SERVICES, INC.	116,239	99,557	90,774			
OCI (ONCOR)	116,046	128,209	148,918	161,085	163,972	144,511
INTERNATIONAL TELECHARGE						
ONE CALL COMMUNICATIONS	110,352	93,613	78,328			
WINSTAR GATEWAY NETWORK, INC	109,991	86,652				
COMMONWEALTH LONG DISTANCE (CLD)	109,349	139,414	146,663	147,045	125,682	113,072
CENTURY AREA LONG LINES	104,143					
ACCESS LONG DISTANCE	101,814	90,562	81,438			
AMERICAN TELCO, INC.	89,783	83,402				
MATRIX TELECOM	89,689	91,031				
ACC LONG DISTANCE CORPORATION	80,795	79,652		74,482		
MIDCOM COMMUNICATIONS	79,472	81,386	102,076			
ALLTEL LONG DISTANCE	78,401					
WORLDEXCHANGE 13/		140,610	127,839	156,055	79,270	
CHERRY COMMUNICATIONS		104,367	93,746			
LINTEL (LINCOLN)		79,281	81,010	85,496	88,136	90,146
SOMIC COMMUNICATIONS 14/				114,041		
COMMUNIQUE TELECOM				188,295	197,874	169,781
TELESPHERE NETWORK 14/						
PUERTO RICO TEL-COM						
NETECH COMM, US WEST						
<b>TOTAL QUALIFYING CARRIERS</b>	<b>152,080,868</b>	<b>149,232,439</b>	<b>146,960,164</b>	<b>145,317,426</b>	<b>142,215,682</b>	<b>139,963,294</b>
<b>NON-QUALIFYING CARRIERS</b>	<b>3,920,356</b>	<b>3,366,738</b>	<b>3,384,888</b>	<b>3,161,802</b>	<b>3,013,080</b>	<b>2,845,986</b>
<b>TOTAL INDUSTRY PRESUBSCRIBED LINES</b>	<b>156,001,224</b>	<b>152,601,177</b>	<b>150,345,052</b>	<b>148,479,328</b>	<b>145,228,742</b>	<b>142,809,280</b>



Company News

## **LCI INTERNATIONAL REPORTS FIRST QUARTER 1997 RESULTS; RECORD REVENUE, OPERATING INCOME AND NETWORK MINUTES**

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### **FIRST QUARTER HIGHLIGHTS**

Revenue of \$314.7 million -- up 26 percent  
Operating Income of \$40.9 million -- up 31 percent  
Net Income of \$20.5 million -- up 34 percent  
Earnings Per Common Share of \$0.24 -- versus \$0.18 -- up 33 percent  
Fully-taxed Earnings Per Common Share of \$0.24 -- versus \$0.16 -- up 50 percent  
Network telecom traffic of 2.5 billion minutes -- up 39 percent

MCLEAN, VA, April 15, 1997 -- LCI International (NYSE:LCI) today reported first quarter 1997 revenue of \$314.7 million, a 26 percent increase over LCI's first quarter 1996 revenue of \$250.6 million. Operating income climbed to \$40.9 million during the period, up 31 percent from \$31.2 million in the first quarter of 1996. Net income for the quarter was up 34 percent to \$20.5 million, or \$0.24 per common share, versus \$15.3 million in net income, or \$0.18 per share during the first quarter of 1996. The period marked LCI's twenty-second consecutive quarter of revenue growth.

Results for the quarter reflect strong and consistently improving performance across the business:

- The company's 26 percent revenue growth rate during the quarter is several times the average industry growth rate, and came almost entirely from growth in the company's base business.
- First quarter revenue growth over the fourth quarter of 1996 was 7 percent.
- LCI reported a 39 percent increase in minutes of use on its worldwide telecommunications network sustaining a strong track record in growing network minutes.
- LCI began investing in its local telephone service business during the first quarter, after trial-testing in late 1996. The company now offers local service to business customers on a resale basis in 18 markets. LCI is currently authorized to provide local service in 23 states and the District of Columbia, and has applications pending in eight more states.
- First quarter gains in earnings per share were achieved despite an increase in the effective income tax rate, from 35 percent in 1996 to 40 percent in 1997. On a comparable fully-taxed basis, net earnings per share were up 50 percent to \$0.24, versus \$0.16 in 1996.

Commenting on the quarter, LCI Chairman and CEO H. Brian Thompson said, "In the first three months of



1997, we again exhibited the strengths that made LCI one of the most exciting stories in long-distance telecommunications in 1996 delivering record financial performance, up strongly from the previous quarter, in the face of heightened competition. With another quarter of record revenue and operating profit, it appears that LCI is on its way to delivering another outstanding year of growth and profitability in 1997. Our balance sheet has never been stronger, assuring us the financial flexibility to pursue our market strategies and consider new opportunities.

"While entry into the local telephone business is a slow process as we knew it would be we are right on target in deploying our strategies to build a local service core competency as the economics and the rules are being developed in the local arena," Thompson said.

Statements made in this press release, other than historical financial results, are forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements express the current beliefs and expectations of LCI management regarding LCI's future results and performance, but are subject to a number of known and unknown risks that could cause actual results to differ materially from those projected or implied in forward-looking statements. These risks and uncertainties are described in detail from time to time in LCI's filings with the Securities and Exchange Commission, including LCI's Form 10-K for the year ended December 31, 1996. LCI accepts no obligation to update these forward-looking statements.

LCI International, Inc., one of the fastest-growing of the nation's major facilities-based long-distance carriers, provides a full array of worldwide voice and data transmission services to businesses, residential customers and other carriers through its fiber-optic network. LCI International, Inc. has headquarters in McLean, Va., with offices in more than 45 locations, national network control and customer service centers, and regional operations in various locations throughout the United States.

To obtain copies of other recent LCI announcements, please contact our fax service at 1-800-758-5804 (id# 520213)

LCI International, Inc.  
Condensed Consolidated Statements of Operations  
(Amounts in thousands except earnings per share)  
(Unaudited)

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	For the Three Months Ended March 31,	
	1997	1996
<b>REVENUES</b>	\$314,650	\$250,559
Cost of services	183,540	148,587
<b>GROSS MARGIN</b>	131,110	101,972
Selling, general and administrative expenses	71,534	56,665
Depreciation and amortization	18,674	14,142
<b>OPERATING INCOME</b>	40,902	31,165
Interest and other expense, net	6,730	7,649
<b>EARNINGS BEFORE INCOME TAXES</b>	34,172	23,516
Income tax expense	13,669	8,230
<b>NET INCOME</b>	20,503	15,286
Accrued preferred dividends	--	1,393
<b>EARNINGS ON COMMON STOCK</b>	\$20,503	\$13,893

### Per Share Data

Primary and fully diluted	\$0.24	\$0.18
Fully taxed	\$0.24	\$0.16
<b>Weighted average number of shares outstanding</b>	<b>86,069</b>	<b>86,593</b>

LCI International, Inc.  
Statistical Summary

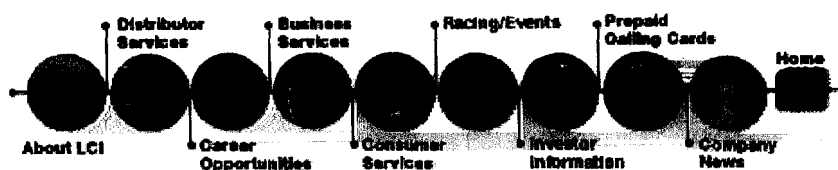
### Operating Statistics

For the Three Months  
Ended March 31  
1997      1996

Revenues	100.0%	100.0%
Gross margin	41.7%	40.7%
Selling, general & administrative expenses	22.7%	22.6%
Earnings before interest, taxes, depreciation and amortization	18.9%	18.1%
Operating income	13.0%	12.4%
Effective income tax rate*	40.0%	35.0%
Net income	6.5%	6.1%

\* Rate applied against earnings before income taxes

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